



Senator Feinstein Seeks to Provide Manufacturers with an Immediate
3 Percent Tax Cut to Help Spur Job Creation
March 22, 2004

Washington, DC – U.S. Senator Dianne Feinstein (D-CA) has joined Senators Jim Bunning (R-KY) and Debbie Stabenow (D-MI) to offer an amendment that would provide our nation's manufacturers with an immediate 3 percent cut in their tax rate. Deliberations on the amendment were scheduled to begin today.

The following is a copy of the floor statement introduced into the record by Senator Feinstein:

"I come to the floor today to support the Bunning-Stabenow-Feinstein amendment which will immediately implement a manufacturing tax deduction that offers much needed assistance to our ever diminishing manufacturing base in this nation.

I applaud the leadership of Senators Bunning and Stabenow in reaching out to a bipartisan group of Senators and urge my colleagues to support this amendment.

Simply, this amendment would adjust the underlying bill to require an immediate implementation of the new manufacturing deduction – and would result in an immediate benefit to our nation's manufacturers by cutting their tax rate by 3 percentage points.

So, if you produce manufactured goods in the United States you get a reduction of your tax rate from 35 percent to 32 percent.

This provides a competitive incentive for manufacturers to produce jobs by reducing their tax burden immediately.

Critically, this amendment not only includes heavy manufacturing, which is so important to our state and national economies, but also the production of software, film, video, and sound recordings. I do not have to tell anyone in this Chamber how important this is for California and the nation.

The movie, television and home video industries, which are based in California, are a tremendous economic engine of growth. The industry accounts for nearly 5% of the U.S. gross domestic product and is one of the largest employers in the country – having doubled its workforce over the last 25 years to a total workforce today of over 4.7 million workers.

I am working with Senators Grassley and Baucus to make sure that these industries are able to take full advantage of the tax benefits that we are proposing here and I am confident that we will come to an agreement to do that.

But, why single out manufacturing? Why not offer a tax cut to all businesses equally? The answer is clear. We have seen a dramatic decrease in our nations manufacturing base and a stimulus directed at this sector of our economy is long overdue.

Since January 2001 this nation has lost 2.8 million manufacturing jobs. My home state of California, has lost more than 300,000 manufacturing jobs over that same period. That is a 16 percent decrease in California's manufacturing employment base in just three years.

It is time to stop the bleeding and this amendment will give manufacturers important tax relief so they may grow jobs here at home.

As has been pointed out by the National Association of Manufacturing:

- manufacturing accounts for nearly one fifth of the nation's GDP,
- provides 15 million high paying jobs,
- supports another eight million jobs in other sectors,
- manufacturing is the seedbed of innovation in our economy, accounting for 62 percent of all research and development, and
- it is far and away our pace setter in productivity gains, and accounts for the bulk of U.S. exports.

Manufacturing in the State of California contributed more than 26% to our state's domestic product – more than one quarter of my state's economic base.

But, the overhead costs of taxes, health and pension benefits, and rising energy prices add 22 percent to the price of U.S. production relative to our foreign competitors.

And, the erosion of high paying manufacturing jobs has continued unabated for years and we now see the phenomenon exacerbated by so many other factors, including outsourcing.

This amendment will help on both counts – it will reduce taxes on manufacturers and foster an environment for job growth in this important sector.

I urge my colleagues to support this amendment and bring an immediate pro-growth stimulus to an important part of our economy.”

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